



IRA A. JACKSON
COMMISSIONER

The Commonwealth of Massachusetts
Department of Revenue
Leverett Saltonstall Building
100 Cambridge Street, Boston 02204

May 21, 1984

You request a ruling as to the Massachusetts income tax consequences of the liquidation of the ("Trust").

The Trust was organized on November 1, 1957 as a Massachusetts corporate trust pursuant to Massachusetts General Laws Chapter 182. Under the proposed plan of liquidation, the assets owned by the Trust will be distributed to its shareholders in accordance with Internal Revenue Code Section 333.

A corporate trust is defined as any partnership, association, or trust, the beneficial interest of which is represented by transferable shares. (G.L. c. 62, § 1(j)). The taxation of corporate trusts is governed by Section 8 of Massachusetts General Laws Chapter 62. Dividends received from a corporate trust which is subject to taxation are not taxable, except to the extent they are derived from tax-free earnings and profits. (G.L. c. 62, § 8(c)). A "dividend" is defined as any item of federal gross income which is a dividend under Internal Revenue Code Section 316 or which is treated as a dividend under any other provision of the Code. (G.L. c. 62, § 1(e)).

Under the Internal Revenue Code, the Trust is an association taxable as a corporation. (I.R.C. § 7701(a)(3)). For federal corporate tax purposes, no gain or loss will be recognized to a corporation on the distribution of its property in complete liquidation. (I.R.C. § 336(a)).

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Code Section 333 limits the amount of gain realized by a qualified electing noncorporate shareholder upon the complete liquidation of a domestic corporation within one calendar month. The amount of gain which the electing shareholder recognizes is the greater of (1) his ratable share of the corporation's earnings and profits accumulated after February 28, 1913 or (2) the amount of money and the fair market value of securities acquired by the corporation after December 31, 1953 which were distributed to the shareholder. The gain will be treated as a dividend to the shareholder to the extent that it does not exceed his ratable share of the corporation's earnings and profits. To the extent that the sum of money and the fair market value of the stock or securities received by the shareholder exceeds his ratable share of the liquidating corporation's accumulated earnings and profits, it will be taxed as capital gain. (I.R.C. § 333(e)).

Property received in liquidation under Code Section 333 in cancellation or redemption of the stock of a qualified electing shareholder will have a basis equal to the basis of the stock cancelled or redeemed in the liquidation, less any money received by the shareholder and plus any gain recognized by him. (I.R.C. § 334(c)).

Massachusetts gross income is federal gross income as defined under the Internal Revenue Code as amended on February 1, 1983 with certain modifications. (G.L. c. 62, § 2(a)). Dividends received from a corporate trust subject to taxation under Chapter 62, to the extent that such dividends are exempt from taxation under Chapter 62, Section 8, are excluded from Massachusetts gross income. (G.L. c. 62, § 2(a)(2)(D)).

Based on the foregoing, it is ruled:

1. The distribution of the assets of the Boston Reinvestment Trust to its shareholders in complete liquidation of the Trust will not result in the recognition of gain or loss to the Trust for Massachusetts income tax purposes.

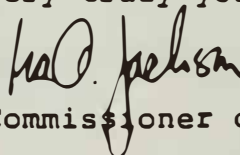
2. The shareholders will recognize capital gain and dividend income for Massachusetts income tax purposes to the extent that capital gain and dividend income is recognized for federal purposes. The dividend income will not be included in the shareholders' Massachusetts gross income,

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except to the extent that the dividends were derived from tax-free earnings and profits as defined in Chapter 62, Section 8(a).

3. For Massachusetts personal income tax purposes, a shareholder's basis in the property distributed to him will be the same as his federal adjusted basis in such property. You are advised that issues related to the questions you raise are now before the Supreme Judicial Court, and that rulings may be retroactively modified or revoked where there is a change in the applicable law (see State Tax Administration Regulation 830 CMR 62C.03(8)(b)).

Very truly yours,



Commissioner of Revenue

IAJ:VGS:mf

LR 84-25